

Fact Sheet on CBO Surplus Projections for FY 2000-2010

July Update

On July 18, the Congressional Budget Office (CBO) released the *Budget and Economic Outlook: An Update* for Fiscal Years 2001-2010. This fact sheet presents some of the key budget data contained in the report. The complete document can be found on CBO's web site at www.cbo.gov.

The Size of the Surplus¹

For fiscal year 2000. CBO projects a unified surplus of \$232 billion in fiscal year 2000, the largest surplus as a share of the gross domestic product (GDP) since 1948. The non-social security surplus is projected to be \$84 billion, \$57 billion higher than CBO's April estimate.²

For fiscal year 2001. The unified surplus in 2001 is now estimated to be \$268 billion, \$87 billion above the April projection. The on-budget surplus, which in April was projected to be \$15 billion, is now projected to be \$102 billion.

For fiscal years 2001-2010. On a unified basis, CBO's surpluses total \$4.6 trillion over the period 2001-2010 – nearly \$1.4 billion higher than the surpluses projected in July. The non-Social Security surplus totals \$2.2 trillion for the ten-year period — \$1.3 trillion above the April estimate. The Medicare HI trust fund accounts for \$360 billion of the on-budget surplus.

Table 1: CBO July Update – Surplus Projections

(\$ billions)	2000	2001	2002	2003	2004	2005	2001-05	2001-10
Unified Surplus	232	268	312	345	369	402	1,696	4,561
Off-budget	149	165	186	202	215	232	1,001	2,388
On-budget	84	102	126	143	154	169	695	2,173
<i>Excluding HI trust fund</i>	<i>59</i>	<i>70</i>	<i>86</i>	<i>103</i>	<i>114</i>	<i>132</i>	<i>506</i>	<i>1,813</i>
<i>Excluding all trust funds</i>	<i>-1</i>	<i>20</i>	<i>32</i>	<i>49</i>	<i>66</i>	<i>83</i>	<i>250</i>	<i>1,265</i>

¹All estimates of the surplus assume CBO's current services or "inflated baseline" which assumes that budget authority for discretionary programs will grow at the rate of inflation each year after 2000.

²These estimates do not include the recently enacted supplemental appropriations for fiscal year 2000, which could add \$10 billion in new spending in 2000.

On-budget surplus excluding Medicare HI trust fund. The on-budget surplus excluding Social Security, the postal service and the Medicare HI trust fund, is \$70 billion in 2001 and \$1.8 trillion over the next ten years. The Hospital Insurance trust fund is currently running a surplus of \$25 billion, which is expected to increase to \$42 billion in 2006 but decline in the later years of the decade.

Federal funds surplus (excluding all trust funds). By 2001, the budget should be in balance *excluding all Federal trust funds*. Over ten years, the trust fund surplus totals \$1.3 trillion.

Changes since April. Most of the improvement in the budget outlook since April stems from revised estimates of revenues. CBO's revenue estimates are up by \$63 billion in 2000, \$554 billion between 2001 and 2005, and \$1.3 trillion between 2001 and 2010. Stronger economic growth and slightly higher inflation explain most of the increase in projected revenues.

Debt held by the public. Under CBO's new baseline assumptions, the Treasury would have enough cash on hand to retire all debt held by the public by 2009. All debt available for redemption (marketable debt) would be eliminated by 2007.

Comparison of CBO and OMB Baseline Projections

The ten-year unified surplus projected by CBO is \$368 billion higher than OMB's comparable Mid-Session estimates for the period 2001-2010. The on-budget difference is slightly less, at \$300 billion for the same ten-year period.

Table 3: Comparison of OMB and CBO Baseline Surplus Projections

(\$ billions)	2000	2001	2002	2003	2004	2005	2001-05	2001-10
<u>Unified budget surplus</u>								
CBO	232	268	312	345	369	402	1,696	4,561
OMB	<u>224</u>	<u>239</u>	<u>279</u>	<u>295</u>	<u>324</u>	<u>360</u>	<u>1,497</u>	<u>4,193</u>
Difference ...	9	29	34	49	45	42	199	368
<u>On-budget surplus</u>								
CBO	84	102	126	143	154	169	695	2,173
OMB	<u>75</u>	<u>79</u>	<u>102</u>	<u>104</u>	<u>119</u>	<u>134</u>	<u>539</u>	<u>1,873</u>
Difference ...	8	23	24	39	35	36	156	300
<u>HI Surplus</u>								
CBO	25	32	40	40	40	37	189	360
OMB	<u>24</u>	<u>30</u>	<u>36</u>	<u>36</u>	<u>38</u>	<u>39</u>	<u>179</u>	<u>403</u>
Difference ...	1	2	4	4	2	-2	10	-43

More than two-thirds of the difference in surplus projections is due to estimates of revenues (\$259 billion). CBO's estimates of the effective tax rate on individual incomes are somewhat higher than OMB's, but in later year's, the Administration's larger projection of the tax base offsets most of these differences. On the spending side, CBO's outlay estimates are \$109 billion lower for the ten-year period.

Prepared by Senate Budget Committee Democratic Staff
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